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Fitch places TECO Energy, subsidiaries on rating watch negative

By Janna Estares

Fitch Ratings on May 30 placed the BBB issuer default rating of [TECO Energy Inc.](#) on rating watch negative following the announcement of its [acquisition](#) of [New Mexico Gas Co.](#) and subsidiary [New Mexico Gas Intermediate Inc.](#) from [Continental Energy Systems LLC](#) for \$950 million.

Fitch also placed the BBB+ issuer default rating of [Tampa Electric Co.](#) and the BBB issuer default of TECO Energy's fully guaranteed finance subsidiary, [TECO Finance Inc.](#), on Rating Watch Negative.

Fitch said the Rating Watch Negative on TECO Energy is driven by its view that the company will incur incremental debt as a result of the acquisition.

TECO Energy has obtained a \$1.08 billion fully committed bridge loan facility from Morgan Stanley to support financing for the transaction, but Fitch expects the permanent financing will consist of cash on hand, long-term debt at New Mexico Gas and parent common equity, according to a news release.

Fitch expects to resolve the Rating Watch Negative at TECO Energy once transaction financing is permanently established and regulatory approvals are obtained. Permanent financing for the transaction is expected to be completed in 2014.

Fitch expects to resolve the Rating Watch Negative at Tampa Electric independently of TECO Energy's after reviewing pro-forma corporate and capital structure, including any financial impact on Tampa Electric, which will be dependent on equity support from TECO Energy in a period of high capital expenditures, according to the release.